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President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 3.15 p.m.

ORGANIZATION OF WORK

1. The **PRESIDENT** said the Bureau had recommended that the Board should continue the practice of holding informal consultations on draft decisions, so that a consensus could be reached on them before they were submitted to the plenary. The Bureau had further recommended that Mr. Stelzer (Austria) should chair the informal consultations.

2. *It was so decided.*

STATEMENT BY THE MINISTER FOR TRADE AND INDUSTRY OF SIERRA LEONE

3. **Ms. SESAY** (Minister for Trade and Industry of Sierra Leone) said that, at a previous session of the Board, she had mentioned the importance her country attached to the work of UNIDO in developing countries and had emphasized the need for UNIDO to initiate special programmes for post-conflict countries such as Sierra Leone. It was pleasing to note that the Organization was now focusing on that issue. Sierra Leone's integrated programme had been approved by one of the new approval committees established by the Director-General and it was to be hoped that implementation of the programme would smooth the country's transition from a post-conflict phase to a development phase.

4. Sierra Leone, as a country emerging from an 11-year war that had left a trail of devastation and suffering, regarded the Organization's assistance in employment creation activities as crucial to the alleviation of poverty and the improvement of living standards, especially for the country's disaffected young people, many of whom had participated in the war. In the two years since the end of hostilities, post-conflict development programmes had seen the country achieve macro-economic stability with single-digit inflation figures and a stable exchange rate for the national currency. A successful post-conflict reintegration programme for ex-combatants and internally and externally displaced persons had helped to consolidate peace. The first local government elections for over 30 years had just been held that week and had passed without violent incident. Sierra Leone's fledgling democracy was being strengthened by people's determination to ensure that changes of government were effected through democratic elections and not through military coups or civil wars.

5. Poverty Reduction Strategy Papers (PRSPs) were a welcome initiative and should be relevant to the industrial development of the least developed countries (LDCs). Industrial development should be mainstreamed in Sierra Leone's development agenda. The country had drawn up its interim PRSP after the cessation of hostilities two years previously and the

final version was currently being completed. She requested the Organization's support in ensuring that industrial and trade programmes were mainstreamed in the PRSP and emphasized the need for UNIDO to be involved in the PRSP process from the preparatory stages onward and not merely at the implementation stage. It was equally important for UNIDO to intervene early in post-conflict countries so as to identify specific industrial needs and incorporate them in the overall needs assessment report for the country.

6. The UNIDO integrated programme for Sierra Leone was critical for meeting some of the country's industrial development needs. She therefore appealed to the country's development partners, which had been tremendously supportive during the years of conflict, to provide funding for the programme activities so as to ensure that the conflict ended permanently and that the country did not revert to violence. The Government would be working with UNIDO to raise funds. She hoped that the Organization's seed money for the programme would be fairly substantial so that some activities could begin immediately. She also looked forward to the assistance of a number of countries, including Japan, France, Germany and Canada, and of the United Kingdom Department for International Development, the World Bank, the African Development Bank and other bilateral and multilateral partners which had consistently supported Sierra Leone.

7. Industrial development and the provision of a livelihood for ex-combatants and war victims, in particular, would ensure that there was no reversion to conflict. The Director-General had been unstinting in his support for Sierra Leone and she wished to thank him personally. She also thanked the Secretariat staff, who had worked closely with the Government, particularly on the development of the integrated programme. Sierra Leone pledged to maintain its support for the Organization and to continue to pay its dues in spite of its meagre resources.

STATEMENTS BY REPRESENTATIVES OF THE SECRETARIAT

8. **Mr. FORNOCALDO** (Managing Director, Division of Administration) said that he would provide some information on post-crisis industrial rehabilitation and reconstruction as part of the follow-up to General Conference resolution GC.10/Res.6. The aim of activities in that area was to contribute to the achievement of the Millennium Development Goals with stronger emphasis on human security through the formulation and implementation of programmes in countries emerging from crisis situations and to incorporate a human-centred perspective as an integral part of UNIDO post-crisis interventions.

9. Natural disasters and conflicts caused social and economic dislocation. The resulting poverty and disintegration of the social fibre undermined efforts to achieve the Millennium Development Goals and human security goals. Crisis situations called for humanitarian assistance that was followed by rehabilitation and reconstruction as a means to mitigate and eventually overcome adverse impacts. Affected countries were clearly unable to take such action on their own and therefore required substantial support from the international community. UNIDO could play a significant role in their rehabilitation and reconstruction and contribute to their long-term development.

10. In that context, the Organization's future assistance would be guided by the general principle of human security; in other words, protecting people from pervasive threats to their lives, livelihoods and dignity and contributing to minimum standards of living. More specifically, it would be based on the principles of sound diagnosis and tailor-made response: a clear identification of demand for industrial recovery and formulation of an appropriate mix of services. The Organization would use its specialized expertise to formulate and implement assistance focusing on the provision of hands-on knowledge, skills and information required by specific groups of affected populations. Macroeconomic advisory services could also be provided by assisting the public and private sectors.

11. UNIDO assistance in crisis situations would consist of four "pillars". The first consisted in deciding "what to do" and would include rehabilitating key industrial sectors, promoting income-generating activities, supporting institutional capacity-building and restoring basic infrastructure. The second involved deciding "with whom" to work—for example, other United Nations agencies and international and non-governmental organizations. The third pillar covered "how" to carry out the various activities: using stronger operational mechanisms for consolidated and timely service delivery. The fourth pillar was "when" to intervene: UNIDO should be involved in fact-finding and in carrying out a needs assessment exercise before the end of the first phase of a crisis situation.

12. UNIDO was currently present in 20 countries emerging from crisis situations, where its interventions ranged from fact-finding to implementation activities. In 11 of those countries, where earlier interventions had taken place, the Organization's services had been provided chiefly within the framework of integrated programmes and had ranged from strengthening the Government's capacity to implement reconstruction policy to providing shelter and skill opportunities to returning refugees.

13. For the biennium 2004-2005, UNIDO would focus mainly on post-crisis activities with stand-alone

and thematic projects. Countries would be selected for intervention if they met the following criteria: a short period of time had elapsed since the end of the crisis in the country in question; international attention was focused on the country in the form of peace agreements, consolidated United Nations appeals, donor conferences and other global forums; it was possible to apply more effective modalities of implementation adjusted to specific cases; and there were strong prospects for the mobilization of external financial support. On the basis of those criteria, the following countries had been selected for activities in 2004-2005: Afghanistan, Angola, the Democratic Republic of the Congo, the Islamic Republic of Iran (Bam region), Iraq, Liberia, Sierra Leone, the Sudan and Timor-Leste.

14. Since the Organization was already involved in those countries, its intervention in most cases was currently focused on the formulation phase. However, in Liberia, a fact-finding mission would take place during the third quarter of 2004, while in Afghanistan, Angola and the Sudan, one activity in each country was already at the implementation stage. Most of the planned field activities would start in the second half of the year 2004. However, in some cases they would be delayed: for example, in Iraq the prevailing security situation did not allow the resumption of United Nations field activities in the near future.

15. The overall funding requirement for the nine countries selected was almost US\$ 148 million, whereas the total amount of pledged and secured funds was just under US\$ 16 million. The level of funding required in Iraq considerably distorted the overall picture. Iraq was a unique case that had attracted wide international attention, with the result that substantial resources had been pledged at the Madrid donors' conference in October 2003 and a strong United Nations coordination structure had been established in Jordan. Excluding Iraq, the funding requirement was almost US\$ 22 million, of which about US\$ 5.5 million had so far been pledged and secured. A number of countries had pledged funds or shown interest in financing programmes. Various trust funds, including the Trust Fund for Human Security, also played an important role.

16. During the round table on post-crisis industrial rehabilitation and reconstruction at the tenth session of the General Conference, there had been a general consensus that post-crisis operations could not and should not be undertaken alone. Any action taken by UNIDO should be the result of donor community consultations and inter-agency discussions with a view to obtaining logistical support and collaboration in substantive programming and implementation activities.

17. The UNIDO core competencies represented the lion's share of the services to be provided to the nine selected countries. Among those core competencies,

there was a particular focus on the service modules relating to private sector development and agro-industries. Of the four services included in the service module on private sector development, rural and women entrepreneurship development would be one of the major contributors to a sound recovery in almost all the selected countries. Under the service module on agro-industries, agro-machinery and food processing would be the engine of sustainable recovery in most cases.

18. The demand-driven exercises carried out in the selected countries had clearly identified the kind of services required for social and economic recovery. In particular, services in agro-industries and private sector development reflected the Organization's core competencies and he therefore reiterated the Director-General's request for increased funding for activities in that area, since the core competencies currently accounted for only about 32 per cent of the total technical cooperation portfolio. The Organization's rehabilitation work would be less costly and more effective if it worked in partnership with other agencies. A stronger and more integrated response from UNIDO would surely help to attain human security goals at the international level.

19. **Mr. AJMAL** (Comptroller General) said that the Office of the Comptroller General, which had been established almost a year previously, consisted of the immediate Office of the Comptroller General itself, the Internal Oversight Group, the Evaluation Group and the Information and Communication Management Unit. Information on the Office's mandate had been published in various Director-General's Bulletins, as had the Charter of the Internal Oversight Group, which had addressed a number of issues raised by the External Auditor. In addition, a Charter of the Office of the Comptroller General would shortly be issued. The Office would provide a detailed report at the beginning of 2005 on its activities and outputs during 2004.

20. In accordance with its mandate, the Office was conducting proactive assessments, reviews and monitoring activities with a view to advising on how to put the Organization's resources to best use, and was also taking action to ensure the effectiveness of internal controls and accountability mechanisms both at Headquarters and in the field. The Office's activities and outputs fell into four main areas, the first of which was improved programming, processes, guidelines and controls. In that context, the Office had recently issued a comprehensive management control framework for the management of programmes and projects and terms of reference for the newly established project approval committees. The purpose of the management control framework was to ensure compliance with the medium-term programme framework, the Organization's corporate strategy and the programme and budgets; ensure that UNIDO activities were consistent with the

United Nations Development Assistance Framework (UNDAF) and PRSPs; strengthen the programme and project screening process; provide clear results indicators; and increase delegation of authority and accountability. As recommended by the External Auditor, data security had been improved through a new off-site data back-up facility. UNIDO was the first Vienna-based organization to set up such a facility.

21. Under the second main area—improved reporting and greater transparency—the Office had introduced various management reports, thus providing strategic information and advice on decision-making to all stakeholders. In cooperation with the Division of Administration, it had successfully upgraded the Financial Performance Control System, making it possible for the first time to manage technical cooperation activities both in United States dollars and in euros. Development of that facility would also allow field offices to have online access to the system, which would greatly facilitate their tasks. Work on the introduction of a fully automated human resources and payroll system was also continuing. The Permanent Missions Extranet Infobase was upgraded on an ongoing basis and provided a wide range of information. All Permanent Missions were encouraged to use it. An online system of information on programmable resources had also been introduced, which would help to improve the planning and implementation of programmes and projects and enhance transparency with regard to the use of the Organization's resources.

22. Under the third major area of activity—advice on administrative and programmatic issues—the Office had conducted a review of contracts issued under the 200 series ("L contracts") and the 300 series (appointments of limited duration) of the Staff Rules and had recommended that they should be discontinued at Headquarters in the interests of a competitive and transparent recruitment process. The Director-General had accepted that recommendation and the External Auditor had made a positive assessment of its implementation. The Office had also carried out an assessment of UNIDO field representation and had distributed a report to Member States in March 2004, which had been used extensively in the meetings of the informal advisory group on decentralization. The Office had carried out 12 audits and reviews to assess compliance with regulations, rules and administrative instructions; that work had been shared with the External Auditor. Eight in-depth evaluations of integrated programmes and other activities had been carried out since June 2003 and 73 per cent of the ensuing recommendations had been implemented. Considerable work had been done, and was continuing, on the development of the results-based management system. Technical cooperation indicators were also being developed and linked with country-level coordination

mechanisms, such as the UNDAF common country assessments.

23. Under the fourth major area—greater interaction and partnership with external entities—the Office had coordinated its activities with the External Auditor to ensure the widest possible coverage and to avoid duplication of work. In addition to conducting financial audits, the External Auditor had reviewed many other areas, including issues relating to the Internal Oversight Group, and his draft report for the biennium 2002-2003 stated that the Organization's financial records were reliable and well maintained and that adequate internal controls had been implemented. UNIDO had contributed to the recent preliminary review of the statute and working methods of the Joint Inspection Unit (JIU) and had noted with satisfaction that several of its recommendations had been included in the report on the review submitted to the United Nations General Assembly for consideration. The United Kingdom Department for International Development (DFID) was conducting an assessment of the effectiveness of 26 organizations, including UNIDO, with which it had institutional partnerships. The assessment was due to be completed by June 2004 and the Office looked forward to disseminating the results, subject to the disclosure policy of DFID.

24. Turning to the financial performance of the Organization, he said that, thanks to a higher rate of collection of assessed contributions, the implementation rate of the regular budget in 2002-2003 had been 92.9 per cent, an improvement on the rate of 91.5 per cent in the previous biennium. Prudent management had enabled the Organization to achieve that implementation rate while maintaining its financial integrity. However, further improvements were contingent on the timely receipt of assessed contributions from Member States. In addition, favourable exchange rate movements during the biennium had made it possible to transfer about 1.8 million euros to the special account for regular budget exchange rate fluctuations, which had had a zero balance at the beginning of the biennium.

25. The Organization had been obliged to maintain a high vacancy rate during 2002-2003, owing to factors beyond its control. The General Conference, in decision GC.10/Dec.17, had approved the programme and budgets for the current biennium but had reduced the required amount by some 2.3 million euros, a reduction which was to be achieved through savings. In the light of that decision and the fact that, if past experience was repeated, 7-8 per cent of assessed contributions would not be received, the budget of 73.4 million euros for 2004 would be reduced to 67.2 million euros, or 91 per cent of the approved figure. Furthermore, if the amount required for the Regular Programme for Technical Cooperation, Special Resources for Africa and operating costs were deducted, the budget would be

reduced by a further 27.3 million euros, leaving 39.9 million euros for staff costs, or 90 per cent of the amount originally approved for that purpose.

26. Since the approval of the programme and budgets for 2004-2005, the Secretariat had been taking action to recruit the required staff, as the high vacancy rate in the previous biennium had been unsustainable. The vacancy rate for 2004 was expected to be about 10 per cent in the Professional category. Although that rate was considerably higher than the mandatory rate of 5 per cent, it could not be reduced any further because of the budget situation; indeed, in order to maintain the 10 per cent rate, the Secretariat would have to reduce expenditure in areas other than staff costs. However, any such reduction would not affect the Regular Programme for Technical Cooperation or Special Resources for Africa. In addition, during the current biennium, the Organization would also have to consider ways of meeting its obligations under the headquarters minimum operating security standards, which would cost UNIDO some US\$ 2.2 million. That amount was not covered in the budget.

27. As at 21 May 2004, the Organization had had a cash balance of 37.1 million euros available under the regular budget and 7.3 million euros in the Working Capital Fund. It therefore had a good cash base to meet its obligations. Under the operational budget, there had been a surplus of US\$ 1.4 million in 2000-2001, which had resulted in an operating reserve of US\$ 3.0 million or 3.3 million euros as at 31 December 2001.

28. During the biennium 2002-2003, UNIDO had also had a surplus of US\$ 1.3 million. However, as the euro was the currency of accounting and reporting, the Organization had suffered a shortfall of 200,000 euros. The reason for the loss was that the income of the operational budget was linked to technical cooperation delivery, most of which was accounted for in United States dollars. However, most expenditures under the operational budget, as under the regular budget, were still in euros. Therefore, the strong euro, which had had a positive impact on the regular budget, had contributed to the loss under the operational budget. Given that the loss could not be recovered from the special account for the regular budget and that the operating reserve could not absorb such losses indefinitely, the Secretariat was looking into possible ways of covering such losses in the future. One initiative in that regard was the introduction of project management in euros for those projects which were euro-based.

29. The collection rate of assessed contributions had consistently improved since 1998 and had stood at about 92 per cent for the past three years. A similar collection rate was expected for 2004. The collection rate for every list of States except list C had improved between the bienniums 2000-2001 and 2002-2003. Although the

current level of arrears was stable at about 9 million euros, arrears of 33 million euros from prior years were still outstanding. In addition, former Member States—the United States of America and the former Yugoslavia—owed the Organization some 71 million euros.

30. Following the examples of Azerbaijan, Belarus, Lithuania and Ukraine, Afghanistan had recently signed a payment plan agreement with the Organization in which it undertook to settle its arrears over a period of five years. Those States owed about 12 million euros in total. Other Member States in arrears were encouraged to pay their outstanding contributions, using the payment plan mechanism where appropriate. The informal consultative group on voluntary contributions was also continuing its work in that regard. The number of Member States with no voting rights had fallen from 59 in 2000 to 45 in 2003 but needed to be reduced further. In recent years, the Secretariat had submitted a number of suggestions to the governing bodies concerning incentives and other measures to encourage the timely payment of assessed contributions.

31. As mentioned by the Director-General in his opening statement, technical cooperation delivery in 2003 had increased by 16 per cent compared to 2002, reaching US\$ 94.7 million. Forecasts suggested that that figure would be reached or even exceeded in 2004, which would represent a turning point for the Organization, given that delivery was usually lower in the first year of a biennium. The Director-General had also provided information on technical cooperation delivery under international protocols and other core operations. Those core competencies were essential to fight poverty and to help achieve the Millennium Development Goals and would therefore require increased funding from donors.

32. The statistics for technical cooperation delivery by region showed that, in 2003, Africa had accounted for US\$ 20.4 million or 21.5 per cent of delivery, an increase of US\$ 7 million (52 per cent) on the 2002 figure. However, if activities under the Montreal Protocol—accounting for US\$ 35 million in 2003 and focused on regions other than Africa—were excluded, Africa's share of delivery in 2003 had stood at 33 per cent. The largest sources of financing for technical cooperation continued to be the Montreal Protocol and the Industrial Development Fund. The amount received from self-financed trust funds had also increased from US\$ 2.4 million in 2002 to US\$ 5.3 million in 2003.

33. The Secretariat staff and high-quality external expertise were important resources for UNIDO, and the introduction of the Human Resources Management Framework in 2001 had led to several improvements in that area. For example, considerable progress had been

achieved in addressing gender balance. Continuous development of human resources was critical if the Organization was to meet future challenges, and efforts to make further improvements were continuing. In 2003, 2,200 project personnel, including 896 national experts, had been recruited from 124 countries to provide specific technical cooperation services in the field.

34. The Organization continued to be on a strong financial footing and was expanding its technical cooperation activities. It was successfully meeting the demands placed on its services, as well as taking proactive measures to tackle future challenges.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2003 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.28/2 and Add.1)

35. Mrs. FEROUKHI (Algeria), speaking on behalf of the Group of 77 and China, said that the Group commended the Organization's achievements in the past year, as reflected in the *Annual Report 2003* (IDB.28/2), in particular the Organization's continued financial stability and the more focused technical cooperation activities. The modest increase in technical cooperation delivery—which had almost reached the target figure of US\$ 95 million in 2003—demonstrated the success of the ongoing reform process in the Organization.

36. She welcomed the reformulation of the service modules but emphasized that they should respond to the needs of the developing countries, particularly in terms of achieving the Millennium Development Goals. She was also pleased to note that a number of UNIDO technical cooperation projects had won awards for excellence from the Third World Chambers Congress, the State Environmental Protection Agency of China and the Egyptian Ministry of Environment, among others.

37. The Group supported the Organization's global forum activities, such as the Global Biotechnology Forum, particularly where they added value to technical cooperation. UNIDO should build on the Forum's success by formulating a programme of follow-up activities that would have concrete benefits for developing countries.

38. The Group was pleased to note that funds mobilization had increased and that resources received from the Industrial Development Fund and trust funds had reached US\$ 47.4 million, the highest level since 1993. It particularly welcomed the contributions from the major governmental donors and the fact that the level of contributions from developing countries had been the highest since 1997. The Secretariat should continue its efforts to strengthen funds mobilization in order to speed up the implementation of integrated programmes and country service frameworks.

39. The increase in contributions to UNIDO from various international funds and programmes testified to the Organization's credibility as an agency of excellence for project implementation. However, the Group was concerned that funding from the United Nations Development Programme (UNDP) remained at a low level. Inter-agency cooperation should be enhanced as part of efforts to mobilize funds.

40. **Mr. AREVALO** (Colombia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), noted with satisfaction the *Annual Report 2003*. He welcomed UNIDO's efforts to promote clean, sustainable industrial development and to reinforce the many links existing between entrepreneurial capacity, technology, strengthened productivity and growth.

41. The new globalized political, social and economic order, the collective effort to offer people-oriented parameters and the various applications of modern science and technology posed a new challenge to the Organization to make an effective contribution to the implementation of industrial development plans and programmes in furtherance of the Millennium Development Goals.

42. GRULAC would like to see UNIDO's role as a global forum strengthened, as well as follow-up to such activities. The success of the recent Global Biotechnology Forum held in Chile demonstrated the level of excellence acquired by UNIDO. A follow-up programme in the form of specific projects in the developing countries should be drawn up.

43. Despite the tangible progress achieved in technical cooperation in 2003, there were still issues to be resolved. There was a certain imbalance in the level of resources for each region and in the implementation of cooperation programmes. While different levels of development and situations prevailed in the various regions, subregions and countries, technical cooperation was still too limited to respond effectively to the needs of each region and subregion. As a result of recent changes, UNIDO now depended much more on contributions from other agencies, governmental bodies of donor countries and other world programmes for technical cooperation activities than on its own resources. In the interests of efficiency and equity, it was important that priority should be assigned in the ongoing streamlining process to the quest for better balance in regional and subregional technical cooperation activities.

44. The foregoing notwithstanding, the Organization's fund-raising level had been higher than in previous years and the Industrial Development Fund had in 2003 attained the highest level of resources since 1993, with a total of US\$ 47.4 million, reflecting greater commitment to the Organization. The year 2003 had

witnessed the highest level of developing countries' contributions since 1997, as well as a significant increase in contributions from various international funds and programmes, a sign of the Organization's increased credibility. However, funding from UNDP was declining. His delegation would comment under agenda item 5 (d) ("Decentralization") on the proposed strategic partnership with UNDP.

45. **Mr. MURPHY** (Ireland), speaking on behalf of the European Union and of Bulgaria, Romania, Turkey, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, welcomed the efforts which had been made throughout 2003 to refine the Organization's activities, as detailed in the *Annual Report 2003*, in particular the fact that the service modules had been reformulated in order to contribute more effectively to achieving those Millennium Development Goals relevant to the Organization's mandate. It was essential for the Organization's objectives and activities to be aligned with national efforts to reduce poverty and achieve the Goals.

46. The European Union attached great importance to the development of a strategic long-term vision statement for UNIDO, as called for in General Conference resolution GC.10/Res.2. Such a vision statement should cover a period of 10 to 15 years and should build on the key existing strategic documents. It should also give a clear picture of the Organization's expected contribution to the achievement of the Millennium Development Goals. It was to be hoped that consultations over the coming two years would enable the statement to be adopted at the next session of the General Conference. Noting that relevant and innovative research was an essential element of the Organization's global forum function, he commended the steps being taken to develop a high-quality research programme. He also expressed support for the efforts being made to increase synergy between the Organization's global forum and technical cooperation activities.

47. It was important for UNIDO to be involved in the broader development debate and he therefore welcomed the Organization's efforts to strengthen cooperation with other agencies and international bodies, which had resulted, for example, in the signing of memorandums of understanding with the World Trade Organization (WTO) and the International Organization for Standardization (ISO). He also welcomed the joint cooperation programme with the United Nations Conference on Trade and Development (UNCTAD), particularly in view of the forthcoming session of the Conference (UNCTAD XI). He looked forward to continued efforts towards the coordinated engagement of the organizations of the United Nations system in developing countries.

48. The European Union continued to provide significant financial support for technical assistance activities in developing countries and countries with economies in transition and was pleased to note that technical cooperation delivery had increased to US\$ 94.6 million in 2003. It was particularly pleasing that Africa's share of technical cooperation activities had increased considerably in 2003, and he hoped that both those figures would continue to rise in the coming years. Cooperation between the European Commission and UNIDO would be enhanced by the Financial and Administrative Framework Agreement concluded in 2003. Another positive development was the selection of UNIDO as one of the United Nations candidates for strategic partnerships with the Commission.

49. Welcoming the positive assessment in the report of the first generation of integrated programmes, which had been completed or had neared completion in 2003, he stressed the importance of ongoing monitoring and evaluation. Over the past decade, patterns of funding for technical cooperation had changed, and the Montreal Protocol now represented the major source of funding. The Organization should continue to seek funding from multilateral environmental agreements, in particular the Global Environment Facility (GEF), but should also aim to broaden the donor base beyond multilateral sources. As a general rule, the Secretariat should carry out a realistic assessment of available funding when developing the technical cooperation portfolio, including integrated programmes.

50. The European Union had previously requested that the annual report should contain more detailed information on the Organization's sources of funding, including voluntary contributions from Governments. The 2003 report did not contain sufficient detail in that regard and it was therefore to be hoped that the request would be taken into account in future years.

51. The European Union supported the development at UNIDO of a comprehensive results-based management system and encouraged the Organization to ensure adequate staffing and training in that area. He welcomed the fact that UNIDO was working to establish baselines and set specific targets for future programmatic improvement and that performance against such indicators would be a feature of future annual reports. He also expressed support for the work being done to improve the indicators for the 2004-2005 programme and budgets document and the focus in the *Annual Report 2003* on staff development matters.

52. At the twenty-seventh session of the Board, the European Union had expressed the view that a less descriptive, more future-oriented annual report could better contribute to the promotion of UNIDO as an effective and focused organization. Although efforts had been made in the *Annual Report 2003* to highlight the

Organization's aims and objectives, there was still room for improvement. A key factor would be the inclusion of performance indicators as a tool for measuring performance in the year gone by and as a means of setting goals for the coming year. In that context, he welcomed the business plan recently produced by the Programme Development and Technical Cooperation Division, which set out a number of goals for 2004, and recommended that the Secretariat should distribute the document more widely.

53. The European Union looked forward to the publication of the report of the External Auditor for 2002-2003 and to fruitful discussions on the document. It also wished to assure the Board of its continued cooperation with UNIDO.

54. **Mr. F. L. FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, welcomed the initiatives taken by UNIDO in 2003 to enhance the development impact of its global forum and technical cooperation activities, particularly in Africa and LDCs. The Group commended the increase in technical cooperation delivery in 2003, which reflected a rise in the voluntary contributions received by UNIDO from its development partners.

55. It was encouraging to note that, in November 2003, the GEF Council had recognized the comparative advantage of UNIDO with regard to industrial persistent organic pollutants by granting the Organization direct access to GEF funds for all types of activity in that area. The Group also welcomed the fact that, by the end of 2003, UNIDO had developed over 900 Montreal Protocol projects in 68 countries, and encouraged the Secretariat to continue its efforts in that regard.

56. Commending the Organization's activities in favour of LDCs, in particular the implementation of the Brussels Programme of Action, he welcomed the fact that low-income countries had accounted for about 70 per cent of the technical cooperation portfolio in 2003, as compared to 48 per cent in 1996. He encouraged UNIDO to focus on the regional dimension in the elaboration and implementation of technical cooperation activities in Africa. He welcomed the Organization's involvement in the implementation of the programme on quality in the countries of the West African Economic and Monetary Union (UEMOA), which was being financed by the European Union, and hoped that the Secretariat would initiate similar programmes in other parts of Africa.

57. The Group requested UNIDO to expand its activities in Africa under the African Productive Capacity Initiative (APCI), which had been the subject of a resolution adopted at the tenth session of the General Conference. Implementation of the resolution would represent an important contribution to the

Conference of African Ministers of Industry (CAMI) and to APCI in particular. Support for APCI would also enhance South-South cooperation in the African subregions. The Group welcomed the cooperation between the Common Market of the Southern Cone (MERCOSUR) and the Economic Community of West African States (ECOWAS), initiated in 2002 under UNIDO auspices, and the plan to enhance cooperation between MERCOSUR and the South African Development Community (SADC) in the framework of the New Partnership for Africa's Development (NEPAD), with UNIDO collaboration. The Group also commended the concept of "triangular" cooperation, particularly in the context of South-South cooperation, and reiterated its support for the Tokyo International Conference on African Development (TICAD) and the participation of UNIDO in its activities.

58. The Group welcomed the Secretariat's efforts to ensure continuous staff development and looked forward to the implementation of the third phase of the Human Resources Management Framework. It also supported the action taken to apply the principle of equitable geographical distribution, particularly at the Professional level, and to ensure gender balance at all levels of the Secretariat.

59. The system of results-based management was an effective means of improving strategy and performance. The Group noted that the Office of the Comptroller General had overall responsibility for the system and urged it to take full advantage of the system's potential benefits.

60. **Mr. TOUQ** (Jordan), speaking on behalf of the Asian Group, expressed satisfaction at UNIDO's strengthened status as an eminent development organization and at the reform process that had led to redefined service modules, financial stability, results-based management and the creation of the Office of the Comptroller-General. While welcoming the 16 per cent increase in overall technical cooperation delivery, the Group was concerned that such delivery to the Asia and Pacific region had fallen by 13 per cent, and urged the Secretariat to redress the geographical imbalance.

61. Regarding the five new projects within the integrated programmes and the Country Service Frameworks (CSFs), the Group advocated the fine-tuning of performance indicators in the interests of more objective evaluation of industrial performance projects. It would also like to see intensified efforts to mobilize the financial resources needed to implement the integrated programmes and CSFs. The Group supported thematic initiatives which enhanced responsiveness to the developing countries' special needs, complemented the integrated programme approach and helped achieve the Millennium Development Goals by improving the

industrial capacities of developing countries and countries with economies in transition.

62. The Group noted UNIDO's role as an executing agency for multilateral environmental treaties and the fact that substances with an ozone-depleting potential of 7,000 tons had been phased out in 2003. It commended UNIDO for its help in promoting the role of small and medium enterprises (SMEs) as an engine of poverty reduction and promoting rural and women's entrepreneurship and SME cluster development. It also welcomed UNIDO's status as a core organ of the United Nations Global Compact and hoped that the new corporate strategy, the refined service modules, the new medium-term programme framework and the consolidated research programme would further improve its efficiency.

63. Welcoming the recognition in the corporate strategy that global forum and technical cooperation activities should reinforce each other and the idea that the latter should be clustered around core strengths in technology diffusion and capacity-building for market access and development, the Group also supported the plan to undertake initiatives in information and communication technology and biotechnology. It hoped that UNIDO would collaborate more proactively with the Asian countries.

64. He commended the progress made in gender and geographical balance among staff, but considered that the male:female Professional staff ratio should be improved. Laudable though the new personnel policy of open competition was, the Group would like the Secretariat to consult closely with Member States on policy changes and advise them of vacancies in sufficient time to enable them to nominate suitable candidates. The Organization's evaluation of its programmatic effectiveness was a useful exercise to enable corrective measures to be taken. In that regard, the Office of the Comptroller General should actively help consolidate the reform and programme transformation process in an independent and professional manner. The Secretariat should also endeavour to mobilize funds from sources other than the Montreal Protocol and the Global Environment Facility so that all eight service modules could be adequately used.

65. **Ms. MUSINA** (Ukraine), speaking on behalf of the GUUAM countries Azerbaijan, Georgia, the Republic of Moldova and Ukraine, commended the Secretariat on its efforts to further streamline the Organization's activities to increase its impact and relevance in promoting sustainable industrial development. UNIDO had made progress in focusing on core areas of its competence, in keeping with Member States' wishes, through a country-specific, customized approach to project design and implementation. The recent review of its programme approach in order to

ensure more efficient programme delivery was also commendable.

66. The revised technical cooperation service modules would enable both the Organization and recipient countries to better outline target areas for UNIDO assistance and improve programme efficiency and sustainability. Further resources should be mobilized in order to increase technical cooperation in the areas of industrial competitiveness, agro-industry, SME development, sustainable energy, investment and technology transfer.

67. The GUUAM countries were placing increasing emphasis on industrial recovery in their domestic development agendas, which called for restructured low-capacity enterprises to meet growing global demand for quality and competitiveness. With increasing globalization, it was imperative for technological development to be strengthened at all stages of production in order to facilitate access to global markets with environment-friendly, competitive manufactured products with a high added value. In that respect, sustainable energy, including the development of renewable energy sources, was crucial.

68. With SMEs accounting for a larger share of employment generation and gross domestic product (GDP) in the GUUAM countries, stimulation of rural community involvement in economic development processes—and, hence, poverty reduction—relied on the development of rural entrepreneurship, although the focus should remain on existing cooperation activities within agreed development priorities. The Group welcomed UNIDO's corporate strategy based on productivity enhancement directed towards bringing social progress and ensuring socially oriented economic performance.

69. UNIDO's role in defining and implementing technical cooperation activities that met Member States' requirements and aimed at sustainable industrial development should be further promoted. The close involvement and participation of Member States in decision-making bodies and operating structures was important. Furthermore, coordination of the Organization's activities with those of other stakeholders should be developed and efforts multiplied for the implementation of the global commitments enshrined in the Millennium Development Goals. The Group wished to transform its cooperation into a successful and lasting partnership with UNIDO, which, in the previous year, had made great headway with its modernization and the definition of its targets and objectives.

70. **Mr. FEDOTOV** (Russian Federation) said that UNIDO enjoyed a high profile among the organizations of the United Nations system that were involved in

promoting development and improving standards of living through multilateral international cooperation. It was clear from the *Annual Report 2003* that the process of improving the Organization's effectiveness was continuing successfully, as demonstrated by the financial stability achieved, the improved quality of services and the steady growth in technical cooperation delivery over the past three years.

71. The Russian Federation supported the Organization's global forum activities and the continuation of strategic research into the best ways of achieving sustainable industrial development. It also welcomed the development in 2003 of a corporate strategy designed to enhance industrial productivity in developing countries and countries with economies in transition. Of course, the strategy should not become a dogma, and his delegation was confident that the Director-General and the Secretariat would continue to respond in an effective manner to countries' changing needs and to make the necessary adjustments to the services offered.

72. He commended the efforts of the informal consultative group on voluntary contributions and UNIDO membership to stabilize further the Organization's funding and to strengthen cooperation with international financial institutions. The signing of the Financial and Administrative Framework Agreement between UNIDO and the European Commission would facilitate the implementation of large-scale joint projects. Increased cooperation between UNIDO and the private sector—including under the Global Compact initiated by the Secretary-General of the United Nations—should bring additional financial resources, technologies and expertise to the Organization.

73. The major objective of the medium-term programme framework for 2004-2007 should be to target the Organization's activities more effectively and to continue to improve the quality of technical cooperation within the available resources and on the basis of the integrated programmes. In that context, he expressed support for the efforts of the informal consultative group on trade capacity-building to formulate recommendations on international tariffs and technical regulations and standards. He also hoped that the Secretariat would submit a draft of its strategic long-term vision statement by the end of 2004 so that it could be finalized and approved at the eleventh session of the General Conference in 2005.

74. The Russian Federation fully supported the involvement of UNIDO in post-crisis industrial rehabilitation, provided that such activities were conducted in strict conformity with the Organization's mandate and the terms of General Conference resolution GC.10/Res.6 on UNIDO activities in countries

emerging from crisis situations. Moreover, if assistance were provided in such circumstances, it should not be at the expense of cooperation with other countries.

75. The implementation of the Organization's work programme should be fully consistent with the work of other international organizations aimed at achieving the Millennium Development Goals. In that connection, his delegation supported any efforts to strengthen coordination among organizations in the United Nations system, such as the initiative for cooperation between UNIDO and UNDP in the field or, more specifically, the inclusion of UNIDO representatives at UNDP country offices. Such cooperation should lead to financial savings and greater coordination in the implementation of projects, including joint projects. However, UNIDO should at the same time maintain its independence and distinctive identity.

76. Commending the Secretariat for its contribution to the implementation of the programme of cooperation between the Russian Federation and UNIDO for 2003-2005, he expressed the hope that cooperation would continue to develop under that programme. The Russian Federation, which had considerable industrial capacity, was prepared to increase its technological assistance to developing countries, for example under the programme for technological cooperation between the Russian Federation and the countries of Central and Latin America, which was being developed with the help of UNIDO.

77. **Mr. CHO Chang-Beom** (Republic of Korea) said that, after the events of 11 September 2001, the international community had paid increasing attention to the issue of development, seeing it as a precondition for international justice, peace and stability. It was therefore necessary to redouble efforts to strengthen UNIDO's role as an executing agency for the Millennium Development Goals.

78. He commended the Organization on its financial stability, the refinement of its service modules, the continuous application of a results-based management system and the 16 per cent increase in 2003 in technical cooperation delivery to developing countries and those with economies in transition. The new corporate strategy would enhance productivity for social progress by improving synergies between global forum and technical cooperation activities. In that regard, he welcomed the Secretariat's efforts to realign its core service delivery to match the new corporate strategy, with special focus on technology diffusion and capacity-building for market access for 2004-2007. His delegation recommended that the Secretariat maintain a sense of balance and ensure the continuity of existing programmes.

79. The Secretariat's efforts to duly mobilize the necessary financial resources and post suitable experts to the field were the key to the successful implementation of the 51 integrated programmes and CSFs, and the methods for establishing such programmes and frameworks should be further refined through objective and systematic assessment. Given the importance of an integrated approach for addressing recipient countries' needs and interlinking them with donor countries' priorities, his Government had recently contributed to integrated programmes in Africa and Asia and was considering increasing such contributions.

80. He urged the Secretariat to redouble its efforts for the successful implementation of the recently approved integrated programme for the Democratic People's Republic of Korea (DPRK), including cooperation from potential donor countries, and hoped it would lead to other similar programmes in that country. Given the recently improved security environment on the Korean peninsula and the ongoing six-party talks on the DPRK nuclear issue, UNIDO must play a more proactive role in alleviating poverty and building industrial capacity in the region. In the context of its "Peace and Prosperity" policy, his Government was willing to share development experience and expertise gathered over half a century.

81. Concerning the crucial issue of decentralization, his delegation welcomed the Secretariat's timely proposal for expanding its field presence through inter-agency cooperation, and was ready to participate actively in the discussions on the informal advisory group's recommendations. A strategic alliance with a United Nations agency was just one aspect of long-term strategies for enhancing UNIDO's performance, while retaining its identity. Its implementation should be based on the phased approach combined with a systematic, comprehensive assessment of the current field-office system and pilot projects.

82. Despite the Organization's regained financial stability, his delegation was concerned at the fact that half of the financial resources mobilized for technical cooperation came from the funds of the Montreal Protocol and the GEF and urged the Secretariat to diversify fund mobilization so as to ensure a balance in the delivery of UNIDO's eight service modules. He hoped that the newly established Office of the Comptroller General would play a major role in the system of checks and balances designed to ensure an efficient and transparent decision-making process and that the Office's independence and the division of labour with the External Auditor would be maintained.

83. His Government was committed to full support and cooperation for UNIDO's activities, particularly in

view of the increased significance of sustainable industrial development for the developing countries in the age of globalization. It had twice increased its financial contributions to the Seoul Investment and Technology Promotion Office to help bridge the gap between developed and developing countries by facilitating direct foreign investment and technology diffusion. He urged the Secretariat to further explore the possibility of increasing support for the work of that Office.

84. **Mr. KYEREMATEN** (Ghana), commending the Director-General on the comprehensive and informative *Annual Report 2003*, expressed satisfaction that the main focus of UNIDO's activities had been on the developing countries. His delegation had noted with keen interest and satisfaction the implementation of the Organization's reform process and the significant resources generated in respect of programme delivery.

85. UNIDO's decades-long message to the world was more relevant than ever, especially in pointing the way forward for Africa's economic reconstruction. The need to develop and diversify Africa's production base and enhance its productivity level, especially the industrial sector, placed UNIDO at the centre of Africa's development efforts. In that regard, the analysis contained in the report concerning income and non-income poverty Millennium Development Goals was of paramount importance. UNIDO's comparative advantage lay in its contribution to the attainment of the income poverty Goals, for without belittling the value of the non-income-poverty Goals, unless the income level of the majority of people was raised, one could not consider the sustainable provision of potable water, education and health services and the like.

86. His delegation was also pleased to note the identification of trade capacity-building as one of UNIDO's four thematic priorities. It was clear that trade, not aid, should be the engine of growth for the developing countries, since it was trade that would integrate them into global markets. Accordingly, he hoped that the joint cooperation agreement between the World Trade Organization and UNIDO would serve as an effective instrument of trade capacity-building for African countries. The new focus on rural entrepreneurship and SME development was the right approach because it had the greatest potential for bringing most Africans into mainstream economic development.

87. **Mr. MARQUEZ MARIN** (Venezuela) said that his country was engaged in a process of economic restructuring aimed at the construction of a diversified economy, characterized by solidarity and based on an industrial development that guaranteed sustainable development, translating it into social development and a higher quality of life for the population as a whole and

a juster relationship between capital and labour in overall industrial production, on the basis of value added to the country's natural and energy resources. The leitmotif of Venezuela's Strategic Plan for 2000-2006 was endogenous development through the vertical and horizontal integration of industrial chains via the development of a fabric of small, medium and micro enterprises, with a view to supplying the domestic, regional and international markets.

88. UNIDO's technical cooperation programme in his country included strategic projects within the framework of the above-mentioned Plan to promote technological innovation, investment and exports and the development of the demand for and production of goods and services. A new technological innovation centre afforded access to databases on technological processes, and a number of technological poles were being created in relatively developed sectors with comparative advantages, permitting the systematic integration of universities and research institutes into the production system. The external service promotion network would link local producers to international markets.

89. Three other ongoing cooperation projects in the south of the country—to promote the processing of wood and foodstuffs and the elimination of mercury pollution in small-scale gold mining—would have a strong social, economic and environmental impact. Also envisaged was participation in two interregional programmes: a South-South, cooperation project, promoted by India, concerning low-cost homes built with materials based on agricultural and industrial waste; and a programme of East-South cooperation between the Russian Federation and Latin America and the Caribbean. In that context, he applauded the Director-General's efforts to make UNIDO an effective instrument for interregional technology transfer.

90. He commended the focus in the *Annual Report 2003* on support for the least developed countries, on the global forum function and on cooperation within the United Nations system; particularly noteworthy was the increase in technical cooperation delivery over the previous year.

91. The orientation of the medium-term programme framework was in line with UNIDO's mandate from Member States. His delegation supported the goals of technology diffusion and industrial capacity-building in developing countries for improved market access, as well as the Organization's effort to provide technical cooperation services for the establishment of specialized support agencies for SMEs and the promotion of South-South cooperation.

92. His delegation supported UNIDO's plans for decentralization and the reinforcement of its field

representation so as better to maximize resources and improve the overall effectiveness of its mission to promote sustainable industrial development in developing countries, increasing their productive capacity through technological innovation and access to markets. Efforts, however, should be directed towards achieving a better balance between the participation of UNIDO and the Member States, with UNIDO serving primarily as a facilitator. The so-called developed countries could usefully support projects for technological innovation and quality control to help overcome the problems impeding market access. UNIDO could formulate regional projects making use of the geopolitical and geo-economic advantages offered by regional focal points and the potential for joint financing by national, regional and multilateral agencies.

93. His delegation shared the Organization's concern to encourage increasingly clean production and greater use of renewable and alternative energy sources and endorsed the importance it assigned to biotechnology and technology foresight. It also supported Colombia's offer to host the next session of the General Conference in Cartagena de Indias.

94. Venezuela had always been attached to liberty and democracy and was now firmly on the path towards the construction of a democratic, participatory and just society through peaceful change. Although it had faced a coup d'état, paralysis of its basic industry, constant disinformation by the media, a number of terrorist acts and, latterly, the penetration of its territory by mercenary terrorist paramilitaries hired by external and internal groups wishing to destabilize its democracy, it had been unwavering in its determination to lay the foundations of a socially and economically balanced society, free of social exclusion and aimed at promoting the happiness of its people. It hoped it could count on UNIDO to support that endeavour.

95. **Mr. ZHANG Yan** (China) said that the *Annual Report 2003* reflected the Organization's expanded development cooperation and global forum activities and improved performance management. He was particularly gratified that the financial situation had stabilized and that the resources devoted to technical cooperation programmes had shown a considerable increase over previous years; the Secretariat's determination to pursue reforms despite various challenges was demonstrated.

96. The Organization's involvement in the United Nations Development Group had contributed to strengthening its role in the implementation of the Millennium Project at country level. He noted with satisfaction the Global Biotechnology Forum held in Chile and the regional meetings held in Kenya, China and Vienna. UNIDO had held a successful international

conference on small power plants in China, which had further promoted cooperation with China in energy production. The Organization's strengthened ties with the International Monetary Fund, the European Union and other international organizations had had a positive impact on its work and efficiency.

97. His Government attached great importance to its continued cooperation with UNIDO, which had been highly fruitful in the area of environmental issues, including the Montreal Protocol, and in areas such as the promotion of cooperation in information technology for development and rural energy and agro-industrial production. The Bureau for Promoting Investment and Technology based in Beijing and Shenzhou had been actively mobilizing investment in development projects. It had been helpful in setting up direct investment and technology transfer between China and other developing countries, with UNIDO assistance. China's 2004 "Salon for Investment and Commerce" would be held from 8 to 11 September. All Member States were invited to take an active part, as well as the Secretariat through its Investment and Technology Promotion Office (ITPO) network.

98. Since new challenges, as well as developing countries' needs, were constantly evolving, UNIDO's policies and strategies required constant review to ensure that resources were focused on providing the most useful and realistic services to developing countries. The Organization should seek to assess its own accomplishments and shortcomings and its capacity to provide further services. On the basis of its eight service modules, it should further enhance its efforts to select technical cooperation projects carefully, placing special emphasis on performance management and on meeting developing countries' priority needs, encouraging innovation and strengthening human resources. He also hoped that UNIDO would continue to improve its financial situation.

99. **Mr. MATEK** (Observer for Croatia) expressed his country's support for UNIDO's reinforcement of its key role within the United Nations system in promoting sustainable development and the achievement of the Millennium Development Goals. Implementation of three new technical cooperation projects for Croatia had successfully begun, and a recent visit by the Director-General had given new impetus to his country's cooperation. The first of those projects, concerning the development of the corporate social responsibility concept in Croatia, would enable the country to further develop a competitive export-oriented SME sector and help its companies meet a number of European Union standards with a view to its prospective membership of the Union. The Director-General would shortly be presenting the project so that interested countries could be aware of ongoing UNIDO-Croatian activities.

100. Croatia was organizing a regional forum later that year for the exchange of knowledge and experience with other countries of the region. The 2003 Financial and Administrative Framework Agreement between the European Union and UNIDO and the Organization's selection as one of the candidates for strategic partnership with the European Commission would facilitate cooperation between the two organizations and further sustainable industrial development objectives. He pledged his country's continued cooperation with a view to the attainment of the Millennium Development Goals for the benefit of future generations.

101. **Mr. SAHINBAS** (Turkey) applauded the measures taken in 2003 with regard to administrative aspects and technical cooperation activities, aimed at further enhancing UNIDO's efficiency. Sustainable industrial development called for comprehensive initiatives. He commended the steps taken to further refine UNIDO's services and the programme adjustments made to align them with the evolving development agenda. Results-based management was pivotal for ensuring that activities contributed to the achievement of strategic objectives and was instrumental in enhancing UNIDO's performance. In that regard, his delegation urged further improvements in performance indicators and results-based management.

102. It was important to focus on the least developed countries, especially in Africa, while maintaining UNIDO's universal character and vocation. He was gratified to note that technical cooperation delivery to Africa had risen by 52 per cent over 2002. He also welcomed the Secretariat's intention to do more to generate increased funds for core UNIDO activities and

to avoid excessive dependence on a single funding source.

103. Turkey had contributed for many years to UNIDO's technical cooperation activities, mainly in the areas of SME development and agro-industries, and a regional SME-development project in Kyrgyzstan, Uzbekistan and Azerbaijan had been successfully completed. Turkey's Subcontracting and Partnership Exchange had won the Best Small Business Project Award at the Third World Chambers Congress in September 2003. Turkey intended to continue its regional training activities in 2004. Turkey had benefited from UNIDO's expertise within the framework of Montreal Protocol projects and had designated UNIDO as the GEF implementing agency to oversee implementation of enabling activities in the country in the area of persistent organic pollutants.

104. The International Centre for Hydrogen Energy Technologies, at a cost of US\$ 40 million, was to be established in Istanbul under UNIDO's auspices with financial support from Turkey. Such technologies were now crucial to energy supply and environmental protection, and the Centre would form a bridge for technology development and transfer between the developing and industrialized countries. He invited all Member States to contribute to its establishment and successful operation.

105. The time had come to devise new ways of strengthening and diversifying Turkey's bilateral and regional cooperation with UNIDO, and his delegation looked forward to the Director-General's forthcoming visit.

The meeting rose at 6.10 p.m.